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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Free World Shipping to Cuba

I. Present Status. Discussions which the United States has conducted with other maritime nations during the past several months about shipping in the Cuban trade resulted in positive action to remove Free World ships from the Cuban trade. Liberia, Turkey, Honduras and Panama have issued official decrees barring their ships from all trade with Cuba. West Germany has issued a decree prohibiting ships under its registry from trade between the Soviet Bloc and Cuba. More recently, a Greek decree prohibited Greek vessels not presently under charter to the Bloc from carrying cargoes to Cuba, and provided that Greek vessels will be withdrawn from the Cuban trade, as present charters expire. The Lebanese have assured us of their cooperation and state that they hope to rewrite their shipping laws within three months. Repeated approaches to the United Kingdom have not been productive, and HMG has reiterated its position that it does not have a legal basis for pulling its vessels out of the Cuban trade. However, HMG has engaged in informal discussions with British shipowners with some effect.

A further spur to action by foreign governments in this regard has been Section 107(b) of the Foreign Aid and Related Agencies Appropriation Act of 1963, which in substance provides that no United States economic assistance (not including PL 480) shall be furnished to any country which "permits" ships under its flag to carry "items of economic assistance" to Cuba.

Another factor has been the fear of shipowners and operators that the IIA would not load cargoes in American ports if their ships engaged in the Cuban trade.

The result of all this has been that the number of Free World vessels calling at Cuban ports was reduced from 337 in the first three months of 1962, to 62 in the first three months of 1963. However, while the number of such ships reached a low point of 12 in January of 1963, it increased to 22 in February and to 28 in March. (The foregoing figures are in part based upon classified information and the public list of ships released by the Maritime Administration

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in accordance with NSAM 220 shows 12 in January, 19 in February, and 23 in March.) However, as a part of the increased number of vessels shown for March arrived in ballast to carry out sugar cargoes, there has not been a corresponding increase in the goods brought to Cuba by Free World ships. Preliminary information indicates that the amount of such imports was about the same in March as in January.

The following is a breakdown of the flags of the 78 ships which have arrived through April 17, 1963: United Kingdom 32, Greece 20, Norway 6, Lebanon 6, Italy 4, Yugoslavia 4, Spain 2, Japan 1, West Germany 1, Denmark 1, Morocco 1.

Since January 1, 1963, no Free World ship which has called at a Cuban port has subsequently called at a United States port. One vessel called at a United States port and then proceeded to Cuba. Pursuant to NSAM 220, commitments to withdraw their vessels from all Cuban trade have been or are in the process of being received from a line in each of Japan, Italy, Denmark, and West Germany.

II. Discussion. The Soviet Bloc has thus far readily replaced Free World vessels withdrawn from the Cuban trade, and can presumably do the same for the remaining vessels. Thus the effects on the Cuban economy are minimal. However, Free World vessels calling at Cuban ports have, in domestic opinion, become a symbol of the willingness of the Free World to cooperate with us with respect to Cuba. Replacement of Free World vessels also in some small degree may increase the cost to the Soviet Bloc of maintaining Cuba.

NSAM 220 was confined to vessels calling at Cuban ports rather than to all ships owned or controlled by a line largely in order at that time further not to exacerbate our relations with Poland and Yugoslavia. To have applied the NSAM to ships owned or controlled by would have meant that ships of those two countries could not have carried their customary share of PL 480 cargoes destined for those two countries. The shipping of those two countries to Cuba has averaged one or two ships per month. It is likely that they will continue their participation in the Cuban trade irrespective of whatever measures we may take short of a naval blockade. Polish and Yugoslav ships are currently carrying United States-financed cargoes under the PL 480 agreements with those countries signed on February 1, 1963, and November 28, 1962, respectively. Yugoslav ships are also carrying some merchandise financed under an outstanding Export-Import Bank credit. Subsequently, a ship of the Moroccan Government line has called at a Cuban port. As this line is also carrying PL 480 cargo from the United States to Morocco, the effects on Morocco would be similar to those on Poland and Yugoslavia.

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The strict application of Section 107(b) of the Foreign Assistance Act raises serious problems of fact and policy. Questions of fact are whether a country has "permitted" its ships to carry "economic assistance" and what cargoes may in fact be "economic assistance" as opposed to normal trade. Stringent and extreme application of the Act could result in the cutting-off of all economic assistance to the United Kingdom possessions such as Kenya, British Guiana, et cetera, as well as to Greece. The political disadvantages of such drastic action are of course obvious. Nevertheless, we have and are continuing to press the countries involved to purge themselves of all actions that could require us to invoke the Act. The Battle Act administrator (the Assistant Secretary of State for Economic Affairs) is, in accordance with the law, now assembling and transmitting to the AID Administrator factual information bearing on the application of Section 107 for legal determination required of the AID Administrator.

Because of measures now taken by the Greek Government, it appears that, as their charters expire, most if not all of the 20 Greek vessels which have called at Cuban ports since January 1 will be withdrawing from the Cuban trade. (The Greek Government is now assembling exact information on the terms of the various charters.) Commitments from the lines now being obtained will also assure the withdrawal of at least one of the four Italian ships, the one Japanese ship, the one Danish ship, and a West German ship which is now completing its charter. The principal remaining problem is thus the 32 British and six Norwegian ships.

The minimal additional public action that we could now take would be the extension of the provisions of NSAM 220 to all ships owned or controlled by anyone owning or controlling vessels engaged in the Cuban trade. Apart from the not inconsiderable problem of exacerbation of our relations with Morocco, Yugoslavia and Poland, this could have useful and important domestic and international psychological effects. At the request of the Department of State, the Maritime Administration is now urgently studying shipping patterns in order to arrive at some estimate of its practical effect. Preliminary information indicates that its practical effects might be minimal with respect to tankers, which comprise 16 of the 32 British ships engaged in the trade. Mr. McCone feels, and I agree, that it would not be desirable to take additional public steps during the present stage of Mr. Donovan's negotiations for the release of American prisoners in Cuba.

III. Recommendations. Considering all of the foregoing factors, I recommend that:

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1. We make another approach to the United Kingdom, through their Ambassador here as well as in London, seeking United Kingdom cooperation and pointing out the necessity of our taking further action unless a prompt reduction in United Kingdom shipping to Cuba can be achieved.

2. Similar approaches be made to Norway, Italy and Spain.

3. We now make all administrative preparations for the issuance, at a time to be subsequently determined, of an extension of the provisions of NSAM 220 to ships owned or controlled by persons owning or controlling vessels engaged in the Cuban trade with a grace period of forty-five days to permit withdrawal of vessels in the course of a voyage at the time the extension is made public.

4. At a time subsequently to be determined, request United States owned or controlled oil companies to refrain voluntarily, within the Western Hemisphere, from bunkering vessels known to be engaged in the Cuba trade, and seek the cooperation of the United Kingdom in the application of a similar policy by British oil companies. (This would have its principal impact on a number of very small vessels which now may be operating between Central American ports and Cuba.)

*Ys/ Dean Rusk*

Dean Rusk

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